

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L SECTION 1 OF 2 LIMA 6705

E.O. 11652: GDS
TAGS: SOPN, PE
SUBJECT: REACTIONS TO NEW PRESS LAW

REF: LIMA 6523

SUMMARY: THUS FAR REACTION TO NEW PRESS LAW PROMULGATED
ON JULY 19 (REFTEL) HAS BEEN LARGELY NEGATIVE, AND THE
FUTURE OF THE MAJOR DAILY PAPERS EXPROPRIATED BY THE GOP
ON JULY 26, 1974 REMAINS UNCERTAIN. END SUMMARY.

1. THE STRONGEST AND MOST IMMEDIATE REACTION CAME FROM
THE MIRO QUESADA FAMILY, "AUTHENTIC" OR "EX-" OWNERS OF
"EL COMERCIO" (DEPENDING ON ONE'S POINT OF VIEW). THE
MIRO QUESADAS' REACTION TO THRE PRESS LAW WAS PUBLISHED
IN THIS WEEK'S INDEPENDENT WEEKLIES "OIGA" AND "OPINION
LIBRE". THEIR MAIN POINT IS THAT THE NEW PRESS LAW IS
MISTAKEN WHEN IT SPEAKS OF "EXPROPRIATION", SINCE AT NO
TIME IN THE FOUR YEARS SINCE THE TAKEOVER HAS THE GOP
MET THE LEGAL REQUIREMENTS FOR EXPROPRIATION; I.E.,

--LEGAL PROOF OF THE NEED TO EXPROPRIATE ON THE BASIS OF
PUBLIC UTILITY;
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--ESTABLISHMENT BY MUTUAL ACCORD OF A JUST PRICE;

--INDEMNIZATION;

--ADVANCE OFFICIAL NOTICE OF INTENT TO EXPROPRIATE; AND

--NORMAL JUDICIAL PROCEDURES.

2. THE DECLARATION ALSO ASSERTS THAT "EL COMERCIO'S" LOGOTYPE IS "AN UNEXPROPRIABLE INTELLECTUAL ASSET" AND DEPLORES THE FACT THAT THE NEW LAW FAILS TO MENTION THIS FACT. IT CRITICIZES THE LAW FOR RESERVING FOR NEWSPAPER EMPLOYEES 25 PCT OF THE SHARES TO BE SOLD, WITHOUT MAKING THE DISTINCTION BETWEEN THE PRESENT, LARGELY GOP-NAMED EMPLOYEES, AND THE 200 ODD "EL COMERCIO" EMPLOYEES WHO LOST THEIR JOBS AFTER THE 1974 TAKEOVER. WITH REGARD TO THE "DULY UPDATED" ASSESSMENT OF THE PAPERS' WORTH AS OF JULY 26, 1974, FOR PURPOSES OF INDEMNIZATION, THE MIRO QUESADAS REPROACH THE NEW LAW FOR FAILING TO TAKE INTO ACCOUNT THE PRECIPITOUS DEVALUATION OF THE SOL SINCE 1974, AND THE PROFITS THAT "EL COMERCIO" HAS GENERATED IN THE FOUR YEARS SINCE CONFISCATION. FINALLY, THE DECLARATION ASSERTS THAT THE PROPOSAL TO SELL SHARES ON THE OPEN MARKET IS BACKING DOWN ON THE REVOLUTIONARY GOVERNMENT'S ORIGINAL PROPOSAL TO TURN THE PAPERS OVER TO ORGANIZED SECTORS OF SOCIETY, AND OBLIGES THE FORMER OWNERS TO RESCUE A QUARTER PART OF WHAT RIGHTFULLY BELONGS TO THEM USING THEIR OWN MONEY.

3. DESPITE THEIR POINTED CRITICISM OF THE LAW, THE MIRO QUESADAS' DECLARATION DOES NOT EXPLICITLY SAY THAT THEY WILL NOT NEGOTIATE WITH THE GOP OVER THE VALUE
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OF THE EXPROPRIATED PAPER, WILL REFUSE INDEMNIZATION IF OFFERED, OR WILL REFRAIN FROM USING THE INDEMNIZATION TO REGAIN A DOMINANT POSITION IN THE REORGANIZED "EL COMERCIO."

4. THE REACTION OF PEDRO BELTRAN, AT ONE TIME OWNER OF OVER 50 PCT OF "LA PRENSA'S" STOCK, FORMER DIRECTOR OF THE PAPER AND MINISTER OF FINANCE UNDER PRESIDENT BELAUNDE IS AS YET UNKNOWN. PRIOR TO THE 1974 CONFISCATION, BELTRAN HAD SOLD PART OF HIS STOCK TO "LA PRENSA'S" INDUSTRIAL COMMUNITY, INCREASING THEIR SHARE TO ABOUT 35 PCT. ANOTHER MAJOR STOCKHOLDER AND ONE TIME DIRECTOR OF "LA PRENSA", CARLOS RIZO PATRON, CRITICIZED THE NEW PRESS LAW IN AN ARTICLE IN THIS WEEK'S "OPINION LIBRE". RIZO PATRON, ALONG WITH FOUR OTHER CLOSE FRIENDS OF BELTRAN, RECENTLY BOUGHT 213,734 SHARES OF "LA PRENSA" STOCK FROM BELTRAN'S HOLDING COMPANIES. RIZO PATRON SAYS THAT THE NEW LAW FAILS TO RECTIFY THE MISTAKES OF THE PRESS TAKEOVER, AND WILL BE VERY DIFFICULT TO IMPLEMENT. HE CALLS ON THE GOP TO COMPENSATE THE FORMER OWNERS, INCLUDING THE PAPER'S INDUSTRIAL COMMUNITY, FOR THE DEVALUATION IN THE PAPER'S WORTH SINCE 1974. HE ALSO CALLS ON THE GOP TO END ITS

MONOPOLY ON THE IMPORTATION AND DISTRIBUTION OF NEWS-
PRINT AND OTHER ITEMS. (DENYING THE INDEPENDENT PAPERS
ADEQUATE SUPPLIES OF NEWSPRINT WAS FORMER PRESIDENT
VELASCO'S STRATEGY TO KEEP THEM IN LINE.)

5. THE REACTION OF "LA PRENSA'S" SHAREHOLDERS TOWARD
THE NEW LAW WILL UNDOUBTEDLY BE INFLUENCED BY THE FACT
THAT, UNDER PRESENT GOP MANAGEMENT, THE PAPER IS LOSING
MONEY "AS ARE ALL OF THE OTHER DAILIES EXCEPT "EL COMERCIO").
ACCORDING TO "OPINION LIBRE", THE PAPER'S GOP-NAMED
DIRECTOR TOLD EMPLOYEES LAST WEEK THAT MANAGEMENT WOULD
BE UNABLE TO PROVIDE THE INDEPENDENCE DAY BONUS NORMALLY GIVEN
ON JULY 28. THE MOTIVES BEHIND THE LARGE SALE OF "LA PRENSA"
SHARES (AT THE RIDICULOUS PRICE OF \$1.50 PER SHARE)
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DESCRIBED IN PARA 4 IS UNCERTAIN. IT DOES SUGGEST, HOWEVER,
THAT BELTRAN AND HIS ASSOCIATES MAY BE TRYING TO MANEUVER
THEMSELVES INTO A POSITION TO TRY TO GAIN A COMMANDING POSITION
IN THE RESTRUCTURED PAPER.

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C O N F I D E N T I A L SECTION 2 OF 2 LIMA 6705

6. POLITICAL PARTY REACTION TO THE PRESS LAW HAS BEEN
LUKEWARM. WE UNDERSTAND THAT THE GOP OFFICIAL IN CHARGE
OF DRAFTING THE LAW CONSULTED INFORMALLY WITH REPRESENTATIVES
OF APRA AND PPC, BUT WE ARE UNCERTAIN WHAT CONTRIBUTIONS

THE PARTIES MADE. NEITHER APRA NOR PPC HAS PUBLISHED AN OFFICIAL STATEMENT ON THE NEW LAW. APRA ASSEMBLY DELEGATE ENRIQUE CHRINOS SOTO, SPEAKING AS EDITORIAL CHIEF OF THE INDEPENDENT "OPINION LIBRE" AND NOT ON BEHALF OF HIS PARTY, SAID THAT THE NEW LAW OFFERS NO SOLUTIONS AND THAT IT IS DILATORY. HE ADDED THAT THE GOP - THROUGH COFIDE - WILL RETAIN CONTROL OF THE PAPERS FOR SOME TIME, AND THAT THE REQUIREMENT THAT ANY NEWSPAPER HAVE S/100,000,000 IN SUBSCRIBED CAPITAL IS "SIMPLY ABOMINABLE." PPC ASSEMBLY DELEGATE XAVIER BARRON CEBREROS, IN A PRESS INTERVIEW, CALLED THE NEW LAW AN ADVANCE OVER THE PREVIOUS SITUATION. HE ADDED THAT THE LAW REESTABLISHES THE RIGHTS OF FORMER OWNERS AND THAT IT IS IMPORTANT TO RECOGNIZE THE GOP'S GENEROSITY IN RECOGNIZING AND RECTIFYING PAST MISTAKES. HOWEVER, PPC'S DR. ERNESTO ALAYZA GRUNDY (ONE OF THE SECRETARIES OF THE CONSTITUENT ASSEMBLY'S PREPARATORY COMMITTEE) DENOUNCED THE LAW AS REPRESSIVE AND UNJUST. ALAYZA CONDEMNED THE MISUSE OF THE WORD "EXPROPRIATION" AND CONTENTED THAT THE NEWSPAPERS' NAMES (LIKE TRADEMARKS) REPRESENTED CERTAIN INTELLECTUAL OPINIONS WHICH COULD NOT BE TRANSFERRED

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TO DIFFERENT OWNERS WITH OTHER VIEWS.

7. REPRESENTATIVES OF SMALL, RIGHTIST UDP AND UNO PRAISED THE LAW IN LUKEWARM TERMS, ESPECIALLY THE ASPECT OF CO-PARTICIPATION IN MANAGEMENT AND THE PROMISED END TO CENSORSHIP. AT THE OTHER END OF THE SPECTRUM, LEFTIST GROUPS HAVE CRITICIZED THE GOP FOR FAILING TO TURN THE PAPERS OVER TO THE WORKERS, WHILE ADMITTING THAT THE NEW LAW WAS A POSITIVE STEP TOWARD PRESS FREEDOM. THE LEFTIST POSITION IN GENERAL IS THAT THE COST OF ACQUIRING INTERESTS IN THE RESTRUCTURED PAPERS WILL EVENTUALLY RESULT IN OBLIGARCHICAL CONTROL SUCH AS THAT WHICH PREVAILED BEFORE 1974. UNSUCCESSFUL PPC CANDIDATE OSCAR DIAZ BRAVO, PRESIDENT OF THE LARGEST FACTION OF THE PRESS, THE PERUVIAN JOURNALISTS FEDERATION, ALSO HAS CRITICIZED THE LAW IN PRIVATE CONVERSATIONS AS A RETURN TO THE PAST. DIAZ BRAVO'S GROUP WILL MEET JULY 31 TO FORMULATE THE FEDERATION'S VIEWS ON THE NEW LAW. A SPLINTER PRESS GROUP, COMPOSED LARGE OF "EL COMERCIO" EMPLOYEES, HAS ALREADY EXPRESSED ITS SATISFACTION OVER THE FACT THAT THE NEW LAW IMPLICITLY INCLUDES THE PAPERS' LOGOTYPES AS PART OF THE PAPERS' PATRIMONIES. THE GROUP APPLAUDS THE GUARNTTEE OF PRESS FREEDOM BUT CRITICIZES THE GOP FOR GIVING THE FORMER OWNERS PREFERENTIAL ACCESS TO THE PURCHASE OF THE RESTRUCTURED PAPERS.

8. WHILE EDITORIALS IN THE GOP CONTROLLED PRESS HAVE GENERALLY BEEN FAVORABLE TO THE NEW LAW, THE EDITOR OF THE LEFTIST WEEKLY "X" CALLS IT "AUTHORITARIAN, STATIST

AND THREATENING TO FREEDOM OF EXPRESSION", AN UNVIABLE,
HYBRID SOLUTION TO THE PROBLEM OF STATE CONTROL OF THE
MEDIA. GIVEN UNCERTAINTY OVER THE SITUATION OF THE
PAPERS, AS WELL AS THE CURRENT ECONOMIC CRISIS, "X"
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FINDS IT UNLIKELY THAT ANYONE WILL BUY SHARES IN THE
RESTRUCTURED PAPERS, WHICH MEANS THAT CONTROL WILL
CONTINUE IN THE HANDS OF THE GOP, THROUGH COFIDE, THE
STATE FINANCIAL DEVELOPMENT CORPORATION. "X" ALSO
CRITICIZES THE LAW'S REQUIREMENTS FOR SETTING UP NEW
MASS CIRCULATION DAILIES, CALLING THEM IMPOSSIBLE TO FULFILL.

9. COMMENT: THE NEW LAW IS DEFINITELY A HYBRID
SOLUTION TO A DIFFICULT PROBLEM: HOW TO RELINQUISH
CONTROL OF THE NATIONAL PRESS BEFORE THE RETURN TO
CIVILIAN RULE, AND AT THE SAME TIME BE FAITHFUL, AT
LEAST IN PRINCIPLE, TO THE VELASCO ERA'S VISION OF
CO-OWNERSHIP AND CO-PARTICIPATION IN THE DAILY PRESS.
THE FACT THAT THE SOLUTION TO THE PROBLEM THUS FAR
SEEMS TO PLEASE NO ONE MAY BE A MEASURE OF ITS SUCCESS.
AS STATED IN REFTTEL, DESPITE CURRENT ECONOMIC PROBLEMS
AND THE DIRE PREDICTIONS OF "X" AND OTHERS, THE RESTRUCTURED
PAPERS MAY IN TIME PROVE TO BE ATTRACTIVE INVESTMENT
OPPORTUNITIES IF THE LESS COMPETITIVE DAILIES ARE FORCED
OUT OF THE MARKET AND THOSE THAT REMAIN BEGIN TO DEVELOP MORE
OF A DISTINCTIVE CHARACTER. IN THE LONGER RUN, HOWEVER,
WE VIEW THE GOP'S DECISION TO RELINQUISH CONTROL OF THE
NATIONAL NEWSPAPERS AS A POSITIVE STEP, AND A TACIT RECOGNITION
THAT VELASCO'S 1974 "PRESS REFORM" WAS BADLY CONCEIVED
AND POORLY EXECUTED.
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